MIRENCO INC
Form 10KSB
April 14, 2003
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U.S. Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

Commission File No. 333-41092

MIRENCO, INC.

(Name of small business issuer in its charter)

IOWA	**39-1878581**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
206 MAY STREET, RADCLIFFE, IOWA	**50230**
(Address of principal executive offices)	**(Zip Code)**

Issuer s telephone number (515) 899-2164

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	NONE

Securities registered under Section 12(g) of the Exchange Act:

NONE

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO

Check if no disclosure of delinquent filers in response to Item 405 of Regulation S-B is contained in this Form 10-KSB, and no disclosure will be contained, to the best of Registrant s knowledge, in definitive proxy statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. x

The issuer s revenues for the most recent fiscal year were $104,595

The aggregate market value of the voting stock held by nonaffiliates, based on the closing sale price of the over-the-counter market on March 15, 2003, was $2,890,000. As of March 15, 2003, there were 13,284,687 shares of Common Stock, no par value, outstanding.

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MIRENCO, INC.

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Cautionary Statement on Forward-Looking Statements.

The discussion in this Report on Form 10-KSB, including the discussion in Item 1 and Item 6, contain forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995.

Such forward-looking statements are based on current expectations, estimates and projections about the Company s business, based on management s current beliefs and assumptions made by management. Words such as expects , anticipates , intends , believes , plans , seeks , estimates , and similar expressions or variations of these words are intended to identify such forward-looking statements. Additionally, statements that refer to the Company s estimated or anticipated future results, sales or marketing strategies, new product development or performance or other non-historical facts are forward-looking and reflect the Company s current perspective based on existing information. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements. Such risks, and uncertainties include those set forth below in Item 1 as well as previous public filings with the Securities and Exchange Commission. The discussion of the Company s financial condition and results of operations included in Item 6 should also be read in conjunction with the financial statements and related notes included in Item 7 of this annual report. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

ITEM 1. Description of Business

(a) Development

Mirenco, Inc., was organized and incorporated in the State of Iowa on February 21, 1997. We develop and market technologically advanced products for throttle control of internal combustion vehicles to reduce environmental emissions, reduce vehicle maintenance costs, and improve fuel efficiency.

From July 30, 1999 to July 30, 2000, we raised $7,806,240 in the sale of 1,561,248 shares of common stock at $5.00 per share to Iowa-only residents in a self underwritten, intrastate direct public offering. We claimed the exemption from registration in this intrastate offering provided by Section 3(a)(11) of the Securities Act of 1933. We noted that the shares were part of an issue registered, offered and sold only to residents of Iowa; we are incorporated in Iowa; and we do business within Iowa. Nonetheless, certain of our Iowa-Only Offering Shares were resold by Iowa residents to non-Iowa residents before coming to rest under § 3(a)(11) and/or Rule 147 s nine-month standard. As a result, we voluntarily elected to rescind the Iowa-Only Offering, which resulted in the refund of $261,700 for 52,340 shares returned and cancelled, incurring total interest expense of $14,990. The rescission offer was available only to the Iowa-Only Offering Stockholders. As of February 26, 2001, the termination date of the rescission offer, the Iowa-Only Offering net investment was $7,544,540, or 1,508,908 shares.

During 2001, Mirenco, Inc. completed the construction of a 21,600 square foot warehouse and distribution center in Radcliffe, Iowa, which also serves as the corporate headquarters. The cost of the construction was $1,226,292 and the cost of new furnishings was $36,852. In accordance with FAS 144, management elected to have the building appraised as of March 14, 2003. The results of the appraisal indicated a fair market value of $520,000 including land. The land is owned by Dwayne Fosseen and his wife. Mr. And Mrs. Fossen have entered into an agreement to sell the Land to Mirenco, Inc. for $20,000.

The results of the appraisal, the agreement to purchase the land and the consideration of FAS 144 concerning impaired assets, resulted in a reduction to the carrying value of the building of $676,545.

(b) Business

Our primary products are derived from technology patented in the U.S., Mexico and Canada. These products are DriverMax®, DriverMax®Software, HydroFire®Injection, HydroFire®Fluid, HydroFire®Lubricant and EconoCruise®

Our newest product offering, EconoCruise®, is a new and improved version of our product line utilizing other input sensors including Global Positioning System technology and ambient sensor features. We believe we are the first to provide a product incorporating Global Positioning System technology into a throttle-control application using Satellite-to-Throttle technology. In 2002, Mirenco applied to the United States Patent Office for additional EconoCruise patent protection.

The new invention claims cover communicating automatically Real Time vehicle performance and tail pipe emissions data to remote locations. We believe as Mirenco expands its sales, it will obtain tailpipe emissions automatically from vehicles. The closed loop communication would mean Mirenco s headquaters computer automatically call for tailpipe emissions information from individual vehicles. After receiving tailpipe

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emissions data, Mirenco s computer software would automatically calculate Real Time fuel and emission waste emitted by the engine exhaust.

(1) Products and services

DriverMax®is a device that improves engine exhaust emissions and fuel mileage while it reduces vehicle maintenance costs using precise programmable computer management of the vehicle s throttle position. The device controls the fuel flow directly proportional to the engine s combustion capability. This product is designed primarily for heavy start-stop vehicles such as buses, garbage trucks and construction vehicles.

Recently we completed the development of a new DriverMax®product, which operates an electronically digitally controlled engine, thus opening up a completely new market relative to the extra heavy-duty diesel engine. The application for this technology is the reduction of black smoke (opacity) in off-road construction equipment as well as heavy-duty underground equipment used in mining, gravel, and sandpit operations.

Another new product we have completed is a version of the DriverMax®which can operate on mechanical engines. Prior to introducing this new product, DriverMax®was operable only on electronic engines.

We believe, beginning in 2003 and beyond, our products will be sold outside the United States using financing programs. Mirenco has developed relations with Export-Import Bank of the United States and other financial institutions for our fuel and emissions technology. The Iowa School Bus Program (BEEP) and other Mirenco customers helped greatly in providing the verification of technology the financing institutions required.

We are now active with marketing to potential customers in Mexico where excessive exhaust emissions have resulted in prohibiting trucks from entering the United States. Mirenco believes its products and services packaged with institutional financing will meet with great acceptance; not only in Mexico, but in major cities throughout the world with pollution issues such as Athens, Cairo, Hong Kong, Bombay and Moscow.

The HydroFire®System is a sophisticated superset of the DriverMax®technology, providing all the benefits of the DriverMax®plus the additional benefit of cutting oxides of nitrogen (NOx) emissions under performance conditions where NOx is produced. Specifically, NOx is produced under heavy loads and high engine temperatures. When these conditions occur, HydroFire®Injection injects a patented fluid, HydroFire®Fluid, into the engine to combat the NOx production by approximately 50%. The HydroFire®Fluid is a patented water-alcohol-lubricant mixture for which we have patented the blending process. Specifically, water cuts the NOx production, alcohol serves as an antifreeze for the water, and HydroFire®Lubricant serves to thwart the potentially solvent and/or corrosive characteristics of the alcohol in the engine and/or storage containers. HydroFire® Systems are designed primarily for heavy transport vehicles such as buses and over-the-road trucks.

EconoCruise®, currently in development, is a highly sophisticated throttle control system which provides advanced levels of intelligence to common cruise control technology. EconoCruise® utilizes Global Positioning System signals to know the topography of the road ahead, thereby allowing the vehicle to best manage throttle and emissions. In connection with the development of this product, we have executed a Funds-in Work for Others Agreement with the United States Department of Energy s Kansas City plant, operated by Honeywell, Inc., whereby industry procures unique services from government laboratories to build the product. We anticipate that this product will be marketable to the population of existing vehicles as an add-on and that the rights to the patented technology and proprietary design work will be marketable to automakers.

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Our continued relationship with the Transit Authority of River City (TARC) of Louisville, Kentucky, had yielded a dramatic reduction in tailpipe emissions for their fleet. The program has reduced the number of pounds of soot emitted by 70 % and saved Louisville thousands of dollars in fuel costs since inception of the program. We have developed an emissions testing program under a service agreement that requires tailpipe emissions testing of each bus three times a year. The results are reported on a fleet and per vehicle basis to assist TARC in determining the need for maintenance and application of and/or adjustment of the DriverMax® system.

This contractual model is the forerunner of Mirenco s efforts in assisting our customers to further reduce emissions, apply economical maintenance procedures and recognize an excellent cost benefit from the program.

Mirenco s largest marketing effort began in 2002 to implement a National Vehicle Management Program. The sixty-month program targets our nation s 500,000 diesel school buses. The nation s school bus fleet was recently highlighted by a Connecticut study that demonstrated children with any breathing problem were at risk when riding school buses.

We have completed the first 12 months of the Program for the national model in our home state of Iowa.

Mirenco technicians tested approximately 5,000 school buses twice in 2002 to identify the acuteness of Iowa s school bus particulate emissions (black smoke). After the initial testing was completed in June, 2002, reports were sent to each school identifying each vehicle emission status. The report also identified buses with abnormally high emissions needing proactive engine maintenance.

A second test was completed in the last half of 2002. The data from the second round of testing showed by using the data from the first round of testing and performing proactive maintenance, emissions from the diesel engines had been reduced by 16%.

Based on projections made from these results, Mirenco believes Iowa school buses could reduce particulate emissions (soot) by more than 40,000 pounds by 2006. It is also believed the average age of the school bus fleet could be extended by at least two years by implemention of the Mirenco Program consisting of periodic testing, reporting, proper maintenance and installation of the DriverMax system on all identified buses.

(2) Distribution methods

We are expanding the use of independent representatives and organizations for the delivery of our products as well as for direct sales and marketing services. We believe that various methods will be employed for varying markets, and we will use the most economical means available as our development continues. With high fuel prices and clean air requirements becoming more stringent, Mirenco management believes 2003 will be a year of opportunity. Mirenco s marketing will include increasing the information distribution about what our product can do as well as educating the customer concerning the value of Mirenco s programs compared to alternative solutions.

Mirenco s marketing strategy continues to focus on selling our patent rights for EconoCruise®, our Satellite-to-Throttle technology, to a major auto producer and finding marketing partners for the DriverMax® retrofit diesel engine sector. To date, we have been in regular communication with large auto companies that have shown interest in our EconoCruise® technology and we have signed agreements with a several factory representatives that have experience in our markets and can assist us in appropriate marketing ventures.

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(3) Competition

The market for our products and services is characterized by rapid technological developments, frequent new product introductions and evolving, varying industry and regulatory standards. We believe there is no known automotive retrofit device that can compete with our current or contemplated spectrum of products. Mirenco Inc. s technologies and solutions are aimed at reducing wasted fuel and excess emissions. Mirenco, Inc. s Vehicle Management Program also includes a financing option for its products and services. Our greatest advantage over other competing products is that Mirenco s overall program keeps engines burning fuel efficiently thereby extending the vehicle s useful life. This is the Mirenco advantage over other environmental solutions which either filter engine exhaust emissions (with the risk of clogging) or exhaust catalysts that burn fuel with no useful application of the energy produced.

Other products Mirenco must consider as competitive include: portable fuel cells (which combine oxygen from the air with hydrogen), catalytic converters, exhaust traps, fuel additives and other specialized products such as platinum injectors.

(4) Production suppliers

We currently outsource the production of DriverMax® according to our specifications to I.C.E. Corp., an FAA certified electronic manufacturing company located in Manhattan, Kansas. Generally all materials required to manufacture and assemble our product line are readily available shelf items. Orders are typically manufactured and delivered within, at most, a ten week time frame. Payment terms are standard for the industry. We are not required to order or accept delivery of any product based on a predetermined time schedule, and production unit costs decrease with increasing quantities.

At the present time, we intend to continue outsourcing production to companies which can meet our specifications for high quality and reliability. Management has contacted other companies capable of producing our products at the desired levels should the need arise.

(5) Patents and trademarks

Mirenco, Inc. owns the following patents. Patents number 1 through 5 were purchased from American Technologies on April 30, 1999:

1. United States Patent Number 4,958,598, issued September 25, 1990, entitled Engine Emissions Control Apparatus Method.

2. United States Patent Number 5,315,977, Fuel Limiting Method and Apparatus for an Internal Combustion Vehicle issued May 31, 1994.

3. Canadian Patent Number 1,289,430, issued September 24, 1991, entitled Engine Modification Apparatus Fuel.

4. Mexican Patent Number 180,658, Fuel Limiting Method and Apparatus (Staged Fueling). Registration date January 17, 1996.

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5. Canadian Patent Number 2,065,912, issued June 1, 1999, entitled Fuel Limiting Method and Apparatus for an Internal Combustion Vehicle. Application date April 13, 1992.

6. United States Patent Number 6,370,472 B1 issued April 9, 2002 entitled Method and Apparatus for Reducing Unwanted Vehicle Emissions Using Satelite Navigation.

As part of the purchase agreement for the patents listed in paragraphs 1-5, Mirenco, Inc. agreed to pay American Technologies a 3% royalty of annual gross sales for a period of twenty years, which began November 1, 1999.

In addition to the above described patents, we have filed for and obtained the following Registered Trademarks:

1. HydroFire®Fluid
2. HydroFire®Injection
3. HydroFire®Lubricant
4. DriverMax®
5. EconoCruise®
6. SmartFoot
7. Satellite-to-Throttle

(6) Government regulation

Currently, all conventional vehicles, as well as most alternate fuel vehicles and certain retrofit technologies legally sold in the United States, must be certified by the Environmental Protection Agency (EPA) to qualify for the Low Emission Vehicle (LEV) classification necessary to meet federal fleet vehicle conversion requirements. Our products have met, and management believes the products will continue to meet, these certification requirements. However, since this is an area in which the government is continually updating and legislating or mandating new requirements, we are uncertain whether our products will continue to be certified. Whenever possible, we intend to maintain our certification. In addition, to improve the marketability of our products in countries outside the United States, we will conform our products to foreign regulations if it is economically feasible to do so.

We believe our products to be retrofit devices as defined under EPA regulations. We are, however, subject to the regulatory risk that the EPA may construe distribution of the products to be also governed by fuel additive regulations. These more stringent regulations sometimes require scientific testing for both acute and chronic toxicity, which is not required for approval of pollution control products deemed as retrofit devices . Such additional compliance procedures could substantially delay the wide commercialization of HydroFire® products. We believe the EPA fuel additive regulations do not apply to our DriverMax® products, since our product does not involve the introduction of additives into the engine air intake system, as those terms are defined in EPA regulations and generally understood in the automotive engineering community.

We are not aware of any proposed regulatory changes that could have a material adverse effect on our operations and/or sales efforts. Further, we have not been required to pay any fines for, and are not aware of any issues of, noncompliance with environmental laws.

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(7) Research and development

The Company expenses research and development costs as incurred, classifying them as operating expenses. Such costs include certain prototype products, test parts, consulting fees, and costs incurred with third parties to determine feasibility of products. Costs incurred for research and development were $64,047 and $96,820 in 2002 and 2001, respectively.

(8) Employees

As of December 31, 2002 we had 17 full-time employees, with one part-time employee. As of the date of this filing, we now have 15 full-time and no part-time employees. There have been no management-labor disputes, and we are not a party to any collective bargaining agreement.

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ITEM 2. Properties

Mirenco, Inc. owns a 21,600 square foot office, warehouse and distribution facility located in Radcliffe, Iowa. The building is located on 1.2 acres of land leased from Dwayne Fosseen, principal stockholder of Mirenco, Inc., for a perpetual term at zero monthly rent. In February, 2003, The Company, the Company offered to buy the land for $20,000 and Mr. Fosseen and his spouse accepted the offer. As of the date of this filing, the transaction had not been completed. Prior to the completion of this new facility in 2001, Mirenco, Inc. owned no property and leased all business facilities.

ITEM 3. Legal Proceedings

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

None.

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PART II

ITEM 5. Market for Common Equity and Related Stockholder Matters

(a) Market Information

Effective June 15, 2001, Mirenco, Inc. common stock began initial trading on the over-the-counter bulletin board market under the symbol MREO .

Price Range of Common Stock

The following table sets forth the high and low sales prices of the Company s common stock as obtained from the Quotes tab at the Internet site www.nasdaq.com. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. The stock did not begin trading until the second quarter of 2001.

Fiscal Period	2002		2001	
	High	Low	High	Low
First Quarter	1.52	.70	N/A	N/A
Second Quarter	1.20	.51	10.50	1.90
Third Quarter	.80	.36	3.20	1.50
Fourth Quarter	.75	.26	2.17	.70

(b) Approximate Number of Equity Security Holders

Title of Class	Approximate Number of Record Holders as of December 31, 2002
Common Stock, no par value	3,600(1)

(1) Included in the number of stockholders of record are shares held in nominee or street name.

(c) Dividend History and Restrictions

The Company has never paid a cash dividend on its common stock and has no present intention of paying cash dividends in the foreseeable future. Future dividends, if any, will be determined by the Board of Directors in light of the circumstances then existing, including the Company s earnings, financial requirements, general business conditions and any future possible credit agreement restrictions.

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(d) Securities Authorized for Issuance Under Equity Compensation Plans

Name of Plan	Number of securities Authorized for issuance Under the plan	Number of securities awarded plus number of securities to be issued Upon exercise of options, Warrants or rights granted During last fiscal Year	Number of securities to be issued upon exercise of outstanding options, warrants or rights	Number of securities remaining available for future issuance
1998 Common Stock Compensation Plan	1,200,000 shares	367,400 shares	299,400 shares	832,600 shares
1999 Common Stock Compensation Plan	750,000 shares	450,000 shares	450,000 shares	300,000 shares
2001 Common Stock Compensation Plan	250,000 shares	4,560 shares	4,560 shares	245,440 shares

There were no individual stock compensation arrangements outside of the formal plans indicated in the table above.

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ITEM 6. Management s Discussion and Analysis or Plan of Operation

General and Background

We have incurred annual losses since inception while developing and introducing our original products and focusing management and other resources on capitalizing the Company to support future growth. The losses incurred to date are considered normal for a development stage company. Relatively high management, personnel, consulting and marketing expenditures were incurred in prior years in preparation for the commercialization of our products. We expect distribution, selling, general and administrative expenses to increase directly with sales increases, however, as a percentage of sales, these expenses should decline.

From July 30, 1999 through July 30, 2000, we raised $7,806,240 from our Iowa-Only Offering. On August 12, 2000, we determined that resales of Iowa-Only shares by Iowa residents to non-Iowa residents violated certain provisions of the Securities Act of 1933. In response, we undertook an offering to rescind the earlier Iowa-Only Offering in an offering effective January 26, 2001. The Rescission Offer terminated on February 26, 2001 with the result that we refunded 52,340 shares or $261,700, incurring interest expense of $14,990. As a result, at December 31, 2001, the 1,508,908 Iowa-Only Offering Shares, in the amount of $7,544,540, are classified as temporary equity. These shares will remain in temporary equity until such time as the violations under the securities laws have been cured. Subsequent to the close of the Rescission Offer, we believe that Iowa-Only Offering Stockholders are estopped from alleging injury. However, we will continue to be contingently liable to such stockholders during the statute of limitations, a period of three years from the date of the Rescission Offer. We are unable to quantify the amount of any such contingent liability because the claim must be brought through individual lawsuit, which we would vigorously defend with valid defenses, and we consider the probability of any obligation under such contingent liability to be remote. We will continue to assess the effect of this contingent liability on our financial statements during the statute of limitations period.

Plan of Operation

The Company is making the transition from research and development to sales and service. We believe this transition timing is appropriate for sales of our products and service. It is apparent the world in 2003 is concerned about what oil prices and oil supply will have on vehicle operations. Due to increased regulation and economic issues, Mirenco recognizes the growing importance of tailpipe emissions control and the cost of vehicle operation. We believe that market attention to tailpipe emissions and demand for our DriverMax technology and customer service may be proven during the course of 2003.

From January of 2002, Mirenco invested much of its effort into fleet operations that are using Mirenco products and service. Management believes this approach is the best and safest way for our company to transition from the development stage into a marketing focus. During 2002 Mirenco had approximately six thousand vehicles upon which to develop its marketing plan. During 2002 Mirenco gathered data from testing these 6000 vehicles. From this testing, Mirenco was able to demonstrate that the Real Time economic benefit of Mirenco s reporting process and product application vehicle owners could use to their benefit.

Mirenco s consultative approach provides for long-term customer service programs up to 5 years with comparative financing programs for the customer s economic convenience.

Over the last 15 months, Mirenco has built one of the first Real Time data bank files in the United States for quantifying individual tailpipe emissions into pounds of emissions and gallons of fuel loss from the tailpipe

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annually. From the data bank we can now better define vehicle cost of operation. Both new and old fleet Managers we have been working with have expressed interest in our Vehicle Management Program. We believe long-term customer relations with tangible data separates Mirenco technology from other competitive solutions.

We now use this growing, Real Time data bank to identify engines with abnormal combustion by comparing obvious bad engines to the clean engines separated into make model and year.

Results of Operations

Sales increased $26,800 or 34%, for the year ended December 31, 2002 compared to the same period at 2001. During 2002, we have continued to focus management and other resources on developing our products and markets.

During 2002, we continued developing the new sales strategy founded upon collecting emissions data before and after the use of our products and providing continuing emission testing services of our installed products. In addition, the Company believes the development of a data base cataloguing the results of testing without the use of Mirenco s products has provided a source of information for fleet operators for determining the need, and in some cases, the nature of maintenance needed

In July, 2002, the company entered into an agreement with The Iowa Foundation for Educational Administration, Inc. to participate in the Bus Emissions Education Program (BEEP).

Under the terms of the contract, Mirenco agreed to perform semi-annual testing of tail pipe emissions on all participating diesel school buses in the State of Iowa. During 2002, Mirenco performed 2 rounds of the semiannual tests on approximately 5,000 buses. The test results were reported to each school district for evaluation and maintenance planning and performance.

Mirenco is also responsible to perform fundraising for the non-profit program. The fundraising is ongoing and includes funding requests from both public and private sources. Mirenco s ability to collect for its services to the BEEP Program depend on its ability to successfully raise the required funds for payment under the terms of the contract. There were no revenues recorded on the Company s financial statements for the fiscal year ended December 31, 2002 with respect to this program. The tests did however demonstrate the value of the database and reports of the emissions information for maintenance planning and performance with respect to the BEEP Program.

This sales strategy has proven to be successful in that we have discovered new industry markets for both our services and our products. Service revenue accounted for approximately 38% of total revenue, $40,004, in 2002 compared to 46%, $35,616, in 2001. While the percentage of service revenues to total revenues decreased, had service revenues from the BEEP Progam been recognized, the percentage of service revenues to total revenues would have been higher. Management believes that service revenues will likely exceed product sales percentages in the future. Sales have occurred sporadically during the development stage creating differences between comparative periods. No trends or seasonality have yet been identified.

Total cost of sales was approximately 70% of total revenue in 2002 compared to 77% of total revenue in 2001. This decrease is related to the continued focus during the year from a production mindset to more of a research

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and development or information gathering mode. Management believes cost of sales will range between 40% and 60% of sales as increased unit sales levels cover production overhead and unit costs.

Operating expenses decreased approximately $379,000, or 20%, from 2002 to 2001. The decrease is primarily attributable to a reduction in advertising costs and other general and administrative expenses. As Management elected to concentrate its efforts in information gathering to establish a Program approach; a testing, reporting, product application and consultative service. In 2001, the cost of two major national print publications was approximately $210,000. We also incurred $20,000 less advertising expenses in 2001 than the comparable period in 2002 due to the classification of stockholder newsletter mailings as advertising expense instead of a cost of fund raising.

Other general and administrative expenses were approximately $133,000 less in 2002 compared to 2001. The reduction in these costs were a result of various factors including the reduction in various expense items including legal and accounting and employee benefits.

Royalty expense for the years ended December 31, 2002 and 2001 was 3% of sales calculated per the patent purchase agreement with American Technologies.

Our net loss increased from $1,619,442 in 2001 to $2,050,734 in 2002 primarily as a result of recognition of a loss from impairment of an asset. Long lived assets are reviewed for impairment whenever the carrying amount may not be recoverable (see Note A to the financial statements). In 2002, the Company recorded a reduction in the carrying value of its building of $676,545.

Liquidity and Capital Resources

We have not yet commenced generating substantial revenue.

The Company expects to incur losses until we are able to generate sufficient income and cash flows to meet operating expenditures and other requirements. Having closed our Rescission Offer refunding $261,700, or 3.4% of the original $7,806,240, we believe we currently have adequate cash reserves to continue to cover anticipated expenditures and cash requirements.

Since our inception in 1997, we have primarily relied on the sources of funds discussed in Cash Flows below to finance our testing and operations. We believe that the proceeds raised from the Iowa-Only Offering, net of the Rescission Offer, will be adequate to continue our operations, including the contemplated expansion of sales efforts, inventories, and accounts receivable through the next twelve months.

Since acceptance or the affirmative rejection or failure to respond to the Rescission Offer does not act as a release of claims, eligible Iowa-Only Offering Stockholders who have accepted, rejected, or failed to respond to the Rescission Offer would retain any rights of claim they may have under federal securities laws. Any subsequent claims by an Iowa-Only Offering Stockholder would be subject to any defenses we may have, including the running of the statute of limitations and/or estoppel. In general, to sustain a claim based on violations of the registration provisions of federal securities laws, the claim must be brought within one year after discovery of the violation upon which the claim is based, in this case, based on the date of the sale (or three years from the date of the original sale of Iowa only offering shares). Under the principle of estoppel, the person bringing a claim must carry the burden of proof of why he or she took no action under the Rescission Offer and/or how he or she may have been injured.

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We have been evaluating financing and capitalization alternatives as part of our long-term business plans. These alternatives include the sale of preferred stock and warrants. To preserve operating funds, we have also developed a strategic plan that provides for reductions of expenditures and a prioritization of sales development options.

Cash Flows for the Years Ended December 31, 2002 and 2001

Since our inception, February 21, 1997, through December 31, 2001, our activities have been organizational, devoted to developing a business plan and raising capital. Indirect and administrative costs, such as management salaries, have been expensed in the accompanying statements of operations during the period in which they were incurred. Capital fund raising costs, which are both directly attributable to our offerings and incremental, have been treated as offering costs in the accompanying balance sheets.

Subsequent to 2001, the Company has devoted its efforts to marketing, product identification and application of its Program model.

Net cash used in operating activities for the years ended December 31, 2002 and 2001 was $1,237,859 and $1,487,526, respectively. The use of cash in operating activities was primarily related to our net losses from operations net of depreciation.

Net cash used in investing activities for the years ended December 31, 2002 and 2001 was $97,420 and $760,758, respectively. The use of cash in investing activities in 2001 was primarily attributed to approximately $761,000 construction and furnishing costs for our new headquarters facility.

Net cash provided by financing activities for the year ended December 31, 2002 was $32,264 compared to $241,980 used for the year ended December 31, 2001 which was primarily from a refund of $261,700 resulting from the Rescission offer. Some option holders also exercised options during May and early June 2001 accounting for $19,720 of new common stock issued, representing 68,000 shares.

Recent Accounting Pronouncements

We do not believe any recently issued accounting standards will have an impact on our financial statements.

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ITEM 7. Financial Statements and Supplementary Data

Financial Statements and Report of Independent Certified Public Accountants

Mirenco, Inc.

December 31, 2002 and 2001

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REPORT OF INDEPENDENT

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

MIRENCO, Inc.

We have audited the accompanying balance sheets of MIRENCO, Inc. as of December 31, 2002 and 2001, and the related statements of operations, changes in stockholders deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MIRENCO, Inc. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note B, the Company incurred a net loss of $2,050,734 during the year ended December 31, 2002 and, as of that date, the Company s total liabilities including stock subject to rescission offer exceeded its total assets by $4,853,158. These factors, among others, as discussed in Note B to the financial statements, raise substantial doubt about the Company s ability to continue as a going concern. Management s plans in regard to these matters are also described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ GRANT THORNTON LLP

Kansas City, Missouri

March 14, 2003

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MIRENCO, Inc.

BALANCE SHEETS

	December 31,	
	2002	**2001**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,899,194**	$ 3,201,799
Accounts receivable	**19,440**	11,855
Inventories	**140,603**	164,530
Other	**35,672**	45,267
Total current assets	**2,094,909**	3,423,451
PROPERTY AND EQUIPMENT, net	**675,867**	1,350,831
PATENTS AND TRADEMARKS, net of accumulated amortization of $3,675 and $2,695 in 2002 and 2001, respectively	**6,125**	7,105
OTHER ASSETS	**5,472**	12,358
	$ 2,782,373	$ 4,793,745

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including a fund s own assumptions in determining the fair value of investments)

In cases where the inputs used to measure fair value fall in different levels of the fair value hierarchy, the level disclosed is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

At February 29, 2012, the hierarchy of inputs used in valuing the Trust s investments and open derivative instruments, which are carried at value, were as follows:

Asset Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Tax-Exempt Investments	$	$ 46,629,219	$	$ 46,629,219
Total Investments	**$**	**$ 46,629,219**	**$**	**$ 46,629,219**
Liability Description				
Futures Contracts	$ (5,864)	$	$	$ (5,864)

Total	**$**	**(5,864)**	**$**	**$**	**$**	**(5,864)**

The Trust held no investments or other financial instruments as of November 30, 2011 whose fair value was determined using Level 3 inputs. At February 29, 2012, the value of investments transferred between Level 1 and Level 2, if any, during the fiscal year to date then ended was not significant.

For information on the Trust s policy regarding the valuation of investments and other significant accounting policies, please refer to the Trust s most recent financial statements included in its semiannual or annual report to shareholders.

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Item 2. Controls and Procedures

(a) It is the conclusion of the registrant s principal executive officer and principal financial officer that the effectiveness of the registrant s current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the registrant has been recorded, processed, summarized and reported within the time period specified in the Commission s rules and forms and that the information required to be disclosed by the registrant has been accumulated and communicated to the registrant s principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.

(b) There have been no changes in the registrant s internal controls over financial reporting during the fiscal quarter for which the report is being filed that have materially affected, or are reasonably likely to materially affect the registrant s internal control over financial reporting.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Eaton Vance Michigan Municipal Income Trust

By: /s/ Cynthia J. Clemson
Cynthia J. Clemson
President

Date: April 24, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Cynthia J. Clemson
Cynthia J. Clemson
President

Date: April 24, 2012

By: /s/ Barbara E. Campbell
Barbara E. Campbell
Treasurer

Date: April 24, 2012